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GENERAL

1. Italy considering recognition of Communist China --US Ambassador Dunn has been informed by the Italian Foreign Office that it is preparing to discuss with the US a possible diplomatic recognition by Italy of the Communist regime in China. The Foreign Office spokesman stated that Italy is convinced that the UK intends to recognize the new regime without further delay: the spokesman added his belief that the UK has also succeeded in persuading other Western European governments, such as the Netherlands, to take similar action. The Italian representative pointed out to Dunn that continued non-recognition by Italy would be difficult for the Italian Government to defend against parliamentary attack, and expressed the opinion that Italy would not be supported by parallel non-recognition by other Western European governments.

(CIA Comment: CIA believes that although the UK and other Western European powers are not ready to recognize the Chinese Communist regime in the immediate future, some of them will probably do so in early 1950. It is likely that the attitude of the Italian Government has been strongly influenced by Vatican pressure and anxiety to protect Church interests in China.)

2. Views on Soviet-Yugoslav relations—The French Ambassador in Moscow has informed US Ambassador Kirk that he has transmitted to the French Government his opinion that: (a) the USSR will rely on internal subversion, "not excepting assassination" in Yugoslavia this winter; (b) by spring of 1950—other means having failed—the USSR will increase guerrilla activity along

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the Yugoslav frontier; and (c) "all else failing and provided a reasonable prospect the US would not intervene militarily," the USSR can be expected to launch full-scale military action in the spring or summer of 1950. The French Ambassador also believes that the Kremlin--"in deciding whether and when to move"--would rely upon Vishinsky's estimate of US reaction to the "Russian military operation." Kirk believes that the French Ambassador's views are "not unreasonable" and emphasizes the obvious importance of giving Vishinsky the correct impression prior to his departure from the US.

(CIA Comment: CIA further believes that although anti-Tito guerrilla operations will probably be increased before the spring of 1950, full-scale military operations will not be undertaken by the USSR unless the Kremlin is convinced the US will not intervene militarily.)

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